

Article - Business Regulation

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§14–227.

(a) (1) A person who sells or grants a franchise is civilly liable to the person who buys or is granted a franchise if the person who sells or grants a franchise offers to sell or sells a franchise:

(i) without the offer of the franchise being registered under this subtitle; or

(ii) by means of an untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading, if the person who buys or is granted a franchise does not know of the untruth or omission.

(2) In determining liability under this subsection, the person who sells or grants a franchise has the burden of proving that the person who sells or grants a franchise did not know and, in the exercise of reasonable care, could not have known of the untruth or omission.

(b) The person who buys or is granted a franchise may sue under this section to recover damages sustained by the grant of the franchise.

(c) A court may order the person who sells or grants a franchise to:

(1) rescind the franchise; and

(2) make restitution to the person who buys or is granted a franchise.

(d) (1) Joint and several liability under this section extends to:

(i) each person who directly or indirectly controls a person liable under this section;

(ii) each partner in a partnership liable under this section;

(iii) each principal officer or director of a corporation liable under this section;

(iv) each other person that has a similar status or performs similar functions as a person liable under this section; and

(v) each employee of a person liable under this section, if the employee materially aids in the act or transaction that is a violation under this subtitle.

(2) However, liability under this subsection does not extend to a person who did not have knowledge of or reasonable grounds to believe in the existence of the facts by which the liability is alleged to exist.

(e) An action under this section must be brought within 3 years after the grant of the franchise.

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